

Message Text

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ORIGIN EB-11

INFO OCT-01 EA-11 ADP-00 L-03 FRB-02 AID-20 CIAE-00

COME-00 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 H-03 /091 R

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R 162224Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652:N/A

TAGS: EFIN

SUBJECT: PROPOSED STATE LEGISLATION RESTRICTING FOREIGN
BANKS IN CALIFORNIA

REF: TOKYO 10153

1. TWO BILLS BEFORE CALIFORNIA LEGISLATURE DIFFER IN
WORDING BUT ARE SIMILAR IN EFFECT. ASSEMBLY BILL 1777
INTRODUCED BY ASSEMBLYMAN RALPH PROVIDES THAT FOREIGN
BANKS CANNOT BE GIVEN A CHARTER FOR ADDITIONAL OFFICES
AS AN AGENCY OR BRANCH OF A FOREIGN BANK OR AS A BRANCH
OF A STATE CHARTERED BANK OWED OR CONTROLLED BY A FOREIGN
BANKING CORPORATION UNLESS (1) THE COUNTRY OF THE PARENT
BANK AFFORDS RECIPROCAL BANKING PRIVILEGES TO CALIFORNIA
BANKS AND (2) THE FOREIGN BANK IS NOT AFFILIATED WITH
ANY COMMERCIAL, MINING, AND INDUSTRIAL ENTERPRISES.

SENATE BILL 1145 INTRODUCED BY SENATOR CARPENTER
PROVIDES THAT FOREIGN BANKS CANNOT COMMENCE BANKING

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BUSINESS IN CALIFORNIA UNTIL (1) IT IS DEMONSTRATED AT A

PUBLIC HEARING CONDUCTED BY THE CALIFORNIA SUPERINTENDENT OF BANKS THAT CALIFORNIA BANKS MAY CONDUCT A BANKING BUSINESS IN THE COUNTRY OF THE FOREIGN BANK ON SUBSTANTIALLY SIMILAR OR BETTER TERMS AND (2) THAT THE FOREIGN BANK CONFORMS TO FEDERAL AND CALIFORNIA LAWS LIMITING BANK OWNERSHIP OF BUSINESSES TO THOSE ENGAGED LIMITING BANK OWNERSHIP OF BUSINESSES TO THOSE ENGAGED IN RELATED ACTIVITIES.

2.

CALIFORNIA BANKS, USING LARGE WELL-KNOWN GROUP OF LOBBYISTS, BUT IT IS BACKED BY POWERFUL LOBBY GROUPS.

3. WE ARE INFORMED THAT SENATE BILL 1145 WAS REPORTED OUT BY INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE OF STATE SENATE BUT HAS NOT BEEN SUBMITTED TO THE FINANCE COMMITTEE OF THE STATE SENATE AT THE AUTHOR'S REQUEST. INDICATIONS ARE THAT BILL IS INSTEAD BEING DISCUSSED BY THE AUTHOR AND CALIFORNIA BANKS WITH A VIEW TO WORKING OUT PROBLEMS BANKS FIND IN BILL.

4. ASSEMBLY BILL 1777 HAS PASSED THE ASSEMBLY AND GONE TO THE CALIFORNIA SENATE. IT HAS BEEN ASSIGNED TO INSURANCE AND FINANCIAL INSTITUTIONS COMMITTEE (PRESUMABLY SYMPATHETIC -- IT PASSED THE SENATE BILL), BUT REPORTS ARE THAT BILL WILL BE ASSIGNED TO "INTERIM COMMITTEE" FOR STUDY. PRESS SPECULATES THAT SUCH ASSIGNMENT IS MOVE BY PROPONENTS OF BILL TO STALL (BILL RUMORED TO FACE VETO BY GOVERNOR) IN CONJUNCTION WITH MORATORIUM BY CALIFORNIA BANKING COMMISSION SUPERINTENDENT PEARSON ON ALL NEW BANKING STARTS. RELEGATION TO "INTERIM COMMITTEE" IS USUALLY WAY TO KILL A MEASURE, HOWEVER.

5. STATE BELIEVES THAT SENATE BILL POSES NO PROBLEMS WITH RESPECT TO FCN TREATY WITH JAPAN BUT STUDYING POSSIBILITY THAT ASSEMBLY BILL DOES.

6. DEPARTMENT POUCHING COPIES OF PROPOSED LEGISLATION, ANALYSIS OF THEM, AND PRESS REPORTS. ROGERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 16 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE163096
Document Source: CORE
Document Unique ID: 00
Drafter: WBMILAM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730833/aaaaaxxt.tel
Line Count: 98
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: TOKYO 10153
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 07 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Nov-2001 by martinml>; APPROVED <05-Dec-2001 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED STATE LEGISLATION RESTRICTING FOREIGN BANKS IN CALIFORNIA
TAGS: EFIN
To: TOKYO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005